



Kevin Stevenson  
Chairman  
Australian Accounting Standards Board  
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via email: [standard@asb.gov.au](mailto:standard@asb.gov.au)

9 May 2011

Dear Kevin

**Re: AASB ED195 Defined Benefit Plans (proposed amendments to AASB 119): Tier 2 supplement**

We are responding to your request for comment on Australian Accounting Standards Board (AASB) Exposure Draft (ED) 195 Defined Benefit Plans (proposed amendments to AASB 119): Tier 2 supplement.

We support the Board's aim to ensure that amendments to existing Australian Accounting Standards provide consistent disclosure relief for tier 2 entities reporting under the reduced disclosure regime on a timely basis. However, we continue to question whether this is an effective process and an efficient use of constituents time and resources. We have commented in previous tier 2 submissions on the timing of issuing an exposure draft seeking feedback on the proposed tier 2 disclosures where it is possible that the final standard will differ from the exposure draft. We have identified an example in relation to ED 195 where the discussion has evolved at the IASB resulting in expected changes to the exposure draft. As a result, it is likely that the proposed tier 2 disclosures which are the subject of this submission will need to be updated once the final standard is released. We recommend that the Board formally consider whether the current approach continues to be appropriate.

We generally agree with the proposed application of the amended disclosure requirements of AASB 119 *Employee benefits* to tier 2 entities in relation to defined benefit plans, subject to the observations which we have explained in Appendix A.

Our detailed responses on the specific matters for comment are also provided in Appendix A.

I would welcome the opportunity to discuss our firm's views at your convenience. Please contact me on (03) 8603 5371 if you would like to discuss our comments further.

Yours sincerely,

A handwritten signature in black ink that reads 'Margot Le Bars'.

**Margot Le Bars**  
Partner, PricewaterhouseCoopers

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**Appendix A – Specific matters for comment**

**1. Do you agree with the AASB disclosure proposals in paragraph 33A and 125A-125K of ED 195 in relation to Tier 2 entities as set out in the Analysis of Proposed Disclosures?**

We agree with the disclosure proposals, except as discussed below:

- Para 33A(f)(iv): the current version of AASB 119 for tier 2 entities (para 30(c)(ii)) does not require disclosure of the basis used to determine the deficit or surplus, however such disclosure would be required by tier 2 entities under the proposed 33A(f)(iv). The AASB previously argued that this disclosure should be excluded since there is no equivalent requirement in the IFRS for SME standard. This reasoning still applies and we therefore believe this part of the paragraph should be shaded/excluded for tier 2 entities.
- Para 125E: As this paragraph is currently drafted, the reconciliations from opening to closing balances will only show contributions to the plan and payments from the plan but do not have a category for "other changes". In the current version of AASB 119 for tier 2 entities, the AASB has inserted a specific paragraph for tier 2 entities which requires the reconciliation to show benefits paid and all other changes - see RDR120A.1.

We would suggest the AASB similarly inserts an RDR paragraph 125E(RDR)(i) which refers to "all other changes", in order to make it clear that this line item is required to reconcile the opening and closing balances.

- Para 125H of the ED requires disclosure of the present value of the defined benefit obligation adjusted to exclude the effect of projected growth in salaries. The ED proposed that Tier 2 entities should not be required to make this disclosure. However, according to the IASB update from 16 February 2011, this particular paragraph may be replaced with an example of the type of disclosures that may meet the disclosure objectives in paragraph 125A(b).

Depending on what the example includes, there could be arguments that it should apply to tier 2 entities, since paragraph 125A(b) similarly applies. However, the example should not be included if it implicitly increases the disclosure obligations of tier 2 entities beyond comparable obligations of SMEs.

- Para 125K requires disclosure of a discussion of factors that could cause the contributions over the next 5 years to differ significantly from the current service cost. The ED proposed that tier 2 entities should not be required to make this disclosure. The IASB has since tentatively decided to replace this with a requirement to disclose a narrative description of the funding arrangements and funding policy, the amount of expected contributions for the next year (only) and information about the weighted average duration of the defined benefit obligation.

We note that disclosure of the entity's funding policy is required under IFRS for SMEs and hence should also be included for tier 2 entities. The other disclosures described above are not required by SMEs and hence should be excluded, for example, information about the weighted average duration of the defined benefit obligations.



- 2. Are there any regulatory issues or other issues arising in the Australian environment that may affect the implementation of these proposals, particularly any issues relating to (a) not for profit entities and (b) public sector entities?**

We do not believe that there any regulatory or other issues that would affect the implementation of the proposals in Australia.

- 3. Do you agree that overall, these proposals would result in financial statements that would be useful to users?**

Subject to our specific comments above, we believe that the proposals would result in financial statements that are useful to users.

- 4. Do you agree that these proposals are in the best interests of the Australian economy?**

The reduced disclosure regime has significantly reduced the regulatory burden for those entities that are eligible to report under tier 2 of the new regime. It is therefore in the best interests of the Australian economy if new standards provide consistent disclosure relief for tier 2 entities on a timely basis.

- 5. Are there any other cost-benefit factors of the proposals, quantitative or qualitative, which you believe should be considered?**

Subject to our specific comments above, we do not believe there are any additional cost-benefit factors which need to be considered as part of these proposals.